Report

of the

Examination of

Venture Insurance Company

Fond du Lac, Wisconsin

As of December 31, 2004

TABLE OF CONTENTS

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, *Governor*
Jorge Gomez, *Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
Web Address: oci.wi.gov

July 1, 2005

Honorable Jorge Gomez
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53702

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

VENTURE INSURANCE COMPANY
Fond du Lac, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Venture Insurance Company (Venture or the company) was conducted in 2000 as of December 31, 1999. The current examination covered the intervening period ending December 31, 2004, and included a review of such 2005 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

Venture Insurance Company was organized in 1990 by Millers Group, Ltd., of Appleton, Wisconsin. The company was purchased by Society Insurance, A Mutual Company, (Society) in 1993 and is 100% owned by Society. Venture is licensed and writes business in Wisconsin only.

Since 2002, the company has written only worker's compensation business. The business underwritten by Venture is differentiated from that of its parent in that Venture's policyholders generally do not qualify for dividends under the internal underwriting standards of the holding company system. Prior to 2002, non-standard commercial multiple peril and private passenger automobile lines were also written. In 2004, direct premiums written were $3,760,409. All products are marketed through independent insurance agents.

The following table is a summary of the net insurance premiums written by the company in 2004. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Worker's compensation	$3,760,409	$0	$495,706	$3,264,703
Total All Lines	$3,760,409	$0	$495,706	$3,264,703

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive $250 per month for serving on the board and $250 per meeting attended for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Michael L. Wagner Fond du Lac, Wisconsin	President Venture Insurance Company	2006
Rodney A. Glaeser Fond du Lac, Wisconsin	Secretary Society Insurance, A Mutual Company	2006
Thomas J. Gross Fond du Lac, Wisconsin	Owner Ahren-Gross Inc.	2006
Michael R. Shannon Fond du Lac, Wisconsin	President Holiday Automotive	2006
Karen M. Wagner* Fond du Lac, Wisconsin	Retired	2006

* Karen Wagner is the wife of Michael Wagner

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2004 Compensation
Michael L. Wagner	President and Treasurer	$104,000
Karen M. Wagner	Secretary	0
Edwin W. Storer	Controller	0

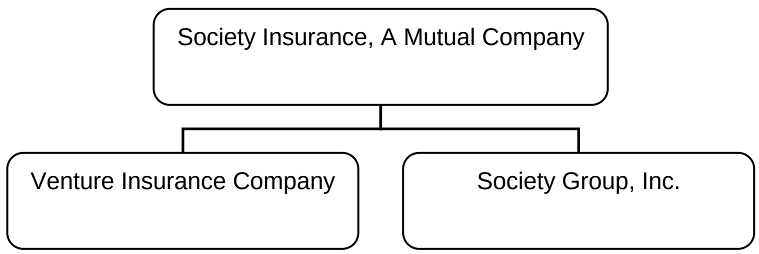
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees at the time of the examination.

IV. AFFILIATED COMPANIES

Venture Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of December 31, 2004



Society Insurance, A Mutual Company

Society is a Wisconsin-domiciled property and casualty company writing predominantly worker's compensation and commercial property lines in the states of Wisconsin, Illinois, Iowa, and Indiana.

Society was also examined as of December 31, 2004, by the Wisconsin Office of the Commissioner of Insurance. The findings of that examination are discussed in a separate report. As of December 31, 2004, the audited financial statements of Society reported assets of $230,022,716, liabilities of $177,730,424, and capital and surplus of $52,292,291. Operations for 2004 produced net income of $1,027,842.

Society Group, Inc.

Society Group, Inc., is a Wisconsin-domiciled holding company incorporated by Society in November 1994 to accomplish the name preservation of Society Group and to own other insurance-related businesses that Society may organize or acquire through purchase or merger. As of December 31, 2004, the company reported assets of $16,643, liabilities of $999, and stockholder equity of $15,644. Operations for 2004 produced net income of $1,549.

Agreements with Affiliates

Venture has the following affiliated agreements with Society, its parent:

Administrative Services Agreement

This agreement became effective on July 25, 1995, and will remain in force until terminated by either party with 30 days' written notice. Under the terms of the agreement, Society agrees to perform such services as may be required to manage and operate Venture including, but not limited to, underwriting, marketing, loss adjusting, accounting, billing, data processing, general management, and other services as may be requested from time to time by the corporate officers. Venture shall reimburse Society monthly for all expenses incurred by Society for the performance of such services.

Income Tax Allocation Agreement

Effective as of July 25, 1995, this agreement will remain in force until terminated by either party with 30 days' written notice. Under the terms of the agreement, the companies agree to file their federal income tax returns on a consolidated basis. The consolidated federal income tax expense shall be allocated between the two companies based on separate return calculations with a current credit for net losses. Intercompany balances are to be settled within 15 days of filing the consolidated return each year.

Aggregate Excess of Loss Agreement

This agreement became effective on January 1, 1998, and is automatically renewed each succeeding January 1st, unless notification is provided by either party to the other by any December 31st of the intent not to renew. Under the terms of this agreement, the Reinsurer (Society) will be liable for 100% of the amount by which Venture's aggregate losses occurring during the term of this agreement exceed 75% of Venture's net premiums earned. Society's limit of liability will not exceed $5,000,000. The premium due to Society for the reinsurance provided under this agreement is determined by applying a rate of 9% to Venture's net premiums earned for the term of this agreement, subject to a minimum premium of $200,000 per year.

V. REINSURANCE

The company's reinsurance portfolio and strategy was reviewed. One affiliated ceding treaty accounts for 74.7% of premiums ceded and the nonaffiliated ceding treaties with Mutual Reinsurance Bureau (MRB) account for 19.2% of premiums ceded. Amounts ceded to other authorized reinsurers are not significant. The significant contracts are described below. All contracts contained proper insolvency provisions.

MRB is an association of reinsurers; the assuming member companies severally and jointly assume their proportionate share of the liability. The association consists of the following reinsurers (each assuming a one-third share):

1. Auto-Owners Insurance Company
2. Employers Mutual Casualty Company
3. Motorists Mutual Insurance Company

Affiliated Ceding Contracts

1.	Type:	Aggregate Excess of Loss
	Reinsurer:	Society Insurance, A Mutual Company
	Scope:	All retained business written by Venture
	Retention/Limit:	The reinsurer will be liable for 100% of the amount by which the company's aggregate losses occurring during the term of this agreement exceed 75% of the company's net premium earned. The reinsurer's limit of liability will not exceed $5,000,000.
	Premium:	9% of net premium earned, subject to a minimum of $200,000
	Effective date:	January 1, 2005
	Termination:	By either party, provided notification of the intent not to renew is received by December 31st of the year prior to the renewal

Nonaffiliated Ceding Contracts

1.	Type:	Property Per Risk Excess of Loss
	Reinsurer:	Mutual Reinsurance Bureau
	Scope:	Business written and classified by the company as fire, allied lines, commercial multiple peril (property perils only), businessowners (property perils only) and inland marine
	Retention:	Retention: $450,000 of ultimate net loss as respects any one risk, each loss occurrence

	Coverage:	$300,000 excess of $450,000 as respects any one risk, each loss occurrence and $900,000 of ultimate net loss as respects any one loss occurrence; with a limit of $900,000 of ultimate net loss as respects any and all losses arising out of one or multiple acts of terrorism or counter-terrorism during any contract year
	Premium:	1.69% of subject direct earned premium
	Contingent commission:	85% of MRB's profit calculated as follows: MRB's cumulative reinsurance premiums earned during the accounting period less MRB's cumulative incurred losses and LAE with respect to losses occurring during the accounting period less MRB's home office expenses of 15% of the cumulative reinsurance premiums earned during the accounting period
	Effective date:	January 1, 2005
	Termination:	By either party at any December 31 with 45 days' written notice, or at any time by either party giving 90 days' written notice upon the occurrence of defined special circumstances
2.	Type:	Obligatory First Surplus Agreement
	Reinsurer:	Mutual Reinsurance Bureau
	Scope:	Business written and classified by the company as fire, allied lines, commercial multiple peril (property perils only), businessowners (property perils only) and inland marine
	Retention/Limit:	Minimum net retention of $750,000, the company will cede and MRB will accept on a pro rata basis, the company's First Surplus Liability up to a maximum of 4.33 times its net retention on any one risk subject to a maximum cession of $3,250,000
	Coverage:	Two times the annual ceded earned reinsurance premium or $15,000,000, whichever is greater, as respects any one loss occurrence; or One times the annual ceded earned reinsurance premium or $7,500,000, whichever is greater, as respects any and all losses arising out of any one or multiple acts of terrorism or counter terrorism during any contract year
	Premium:	Pro rata share of subject net premium written after deduction of premiums paid for reinsurance
	Commissions:	Sliding scale commission based on the loss ratio: Minimum: 25% of net premiums earned (loss ratio 70% +) Maximum: 37.5% of net premiums earned (loss ratio < 55%)
	Effective date:	January 1, 2005
	Termination:	By either party at any December 31 with 45 days' written notice or at any time by either party giving 90 days' written notice upon the occurrence of defined special circumstances

3.	Type:	Catastrophe Excess of Loss
	Reinsurer:	Mutual Reinsurance Bureau
	Scope:	All property business written by the company
	Retention/Limit:	Section One: 100% of $6,750,000 excess of $2,000,000 each loss occurrence; not to exceed 100% of $13,500,000 with respect to all occurrences during each calendar year Section Two: 100% of $8,750,000 each loss occurrence; not to exceed 100% of $17,500,000 with respect to all occurrences during the year
	Premium:	Section One: 2.63% of subject net earned premium (minimum: $410,000) Section Two: 0.53% of subject net earned premium (minimum: $103,000)
	Effective date:	January 1, 2005
	Termination:	By either party at any December 31 with 45 days' written notice, or at any time by either party giving 90 days' written notice upon the occurrence of defined special circumstances
4.	Type:	Casualty Excess of Loss
	Reinsurer:	Mutual Reinsurance Bureau
	Scope:	All general liability/casualty business written by the company
	Retention:	Section One: $500,000 Section Two: $1,000,000
	Coverage:	Section One: $500,000 excess of $500,000 as respects any one occurrence or $1,500,000 as respects acts of terrorism or counter-terrorism Section Two: $2,000,000 excess $1,000,000
	Premium:	Section One: 2.00% of subject net earned premium Section Two: 0.65% of subject net earned premium
	Contingent commission:	Section One: 100% of MRB's profit calculated as follows: MRB's cumulative reinsurance premiums earned during the accounting period less MRB's cumulative incurred losses and LAE with respect to losses occurring during the accounting period less MRB's home office expenses of 10% of the cumulative reinsurance premiums earned during the accounting period, plus any deficit/carryforward from the prior accounting period
	Effective date:	January 1, 2005
	Termination:	By either party at any December 31 by with 45 days' written notice, or at anytime by either party giving 90 days' written notice upon the occurrence of defined special circumstances

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2004, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Venture Insurance Company
Assets
As of December 31, 2004

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 9,537,286	$	$ 9,537,286
Cash	1,214,094		1,214,094
Investment income due and accrued	98,722		98,722
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	197,722	53,613	144,109
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	998,465		998,465
Reinsurance:			
Amounts recoverable from reinsurers	741		741
Current federal and foreign income tax recoverable and interest thereon	253,000		253,000
Net deferred tax asset	444,300	244,300	200,000
Receivable from parent, subsidiaries, and affiliates	150,001		150,001
Write-ins for other than invested assets:			
State Income Tax Recoverable	18,677		18,677
Wisconsin WC Pool Receivable	6,102		6,102
Total Assets	$12,919,110	$297,913	$12,621,197

Venture Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2004

Losses		$ 3,922,316
Reinsurance payable on paid loss and loss adjustment expenses		
Loss adjustment expenses		1,636,591
Commissions payable, contingent commissions, and other similar charges		29,351
Other expenses (excluding taxes, licenses, and fees)		5,236
Taxes, licenses, and fees (excluding federal and foreign income taxes)		27,406
Unearned premiums		1,568,277
Advance premium		29,607
Ceded reinsurance premiums payable (net of ceding commissions)		456,741
Amounts withheld or retained by company for account of others		993
Total Liabilities		7,676,518
Common capital stock	$2,000,000	
Gross paid in and contributed surplus	1,000,000	
Unassigned funds (surplus)	1,944,678	
Surplus as Regards Policyholders		4,944,678
Total Liabilities and Surplus		$12,621,196

Venture Insurance Company
Summary of Operations
For the Year 2004

Underwriting Income		
Premiums earned		$ 3,746,108
Deductions:		
Losses incurred	$3,082,297	
Loss expenses incurred	1,386,267	
Other underwriting expenses incurred	1,112,848	
Total underwriting deductions		5,581,412
Net underwriting gain or (loss)		(1,835,304)
Investment Income		
Net investment income earned	185,554	
Net realized capital gains or (losses)	813,634	
Net investment gain or (loss)		999,188
Other Income		
Net gain or (loss) from agents' or premium balances charged off	(41,762)	
Finance and service charges not included in premiums	10,500	
Total other income		(31,262)
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		(867,378)
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(867,378)
Federal and foreign income taxes incurred		(256,682)
Net Loss		$ (610,696)

Venture Insurance Company
Cash Flow
For the Year 2004

Premiums collected net of reinsurance			$ 3,670,429
Net investment income			121,862
Miscellaneous income			(31,263)
Total			3,761,028
Benefit and loss related payments		$2,008,973	
Commissions, expenses paid, and aggregate write-ins for deductions		2,074,167	
Federal and foreign income taxes paid (recovered)		69,530	
Total deductions			4,152,670
Net cash from operations			(391,642)
Proceeds from investments sold, matured, or repaid:			
Stocks	$3,089,066		
Total investment proceeds		3,089,066	
Cost of investments acquired (long-term only):			
Bonds	8,709,059		
Total investments acquired		8,709,059	
Net cash from investments			(5,619,993)
Cash from financing and miscellaneous sources:			
Other cash provided (applied)		(78,850)	
Net cash from financing and miscellaneous sources			(78,850)
Reconciliation			
Net change in cash and short-term investments			(6,090,485)
Cash and short-term investments, December 31, 2003			7,304,579
Cash and short-term investments, December 31, 2004			$1,214,094

Venture Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2004

Assets		$12,621,196
Less security surplus of insurance subsidiaries		
Less liabilities		7,676,518
Adjusted surplus		4,944,678
Annual premium:		
Lines other than accident and health	$3,264,703	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory surplus excess (or deficit)		$ 2,944,678
Adjusted surplus (from above)		$ 4,944,678
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		2,800,000
Security surplus excess (or deficit)		$ 2,144,678

Venture Insurance Company
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2004

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	2004	2003	2002	2001	2000
Surplus, beginning of year	$6,278,727	$5,325,776	$6,472,186	$6,405,360	$5,652,625
Net income	(610,696)	288,446	(839,891)	111,696	1,052,396
Net unrealized capital gains or (losses)	(488,470)	341,434	(102,582)	(253,712)	(487,548)
Change in net deferred income tax	(145,700)	182,200	91,200	117,100	
Change in non-admitted assets	(89,183)	140,871	(295,136)	21,041	(9,035)
Cumulative effect of changes in accounting principles				70,700	
Change in excess of statutory reserves over statement reserves					196,922
Surplus, end of year	$4,944,678	$6,278,727	$5,325,776	$6,472,186	$6,405,360

Venture Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2004

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2004	2003	2002	2001	2000
#1	Gross Premium to Surplus	76%	71%	86%	61%	50%
#2	Net Premium to Surplus	66	64	77	55	44
#3	Change in Net Writings	(18)	(3)	16	25	6
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	121*	98	97	77	78
#6	Investment Yield	1.7*	0.7*	2.9*	4.1*	3.2*
#7	Change in Surplus	(21)*	19	(17)*	2	13
#8	Liabilities to Liquid Assets	62	48	54	47	49
#9	Agents' Balances to Surplus	3	3	3	3	5
#10	One-Year Reserve Development to Surplus	18	(9)	4	(7)	12
#11	Two-Year Reserve Development to Surplus	(2)	0	(9)	(20)	(18)
#12	Estimated Current Reserve Deficiency to Surplus	(22)	(5)	(6)	1	(6)

Ratio No. 5 measures the company's profitability over the previous two-year period and is based on the combined ratio for the period less the investment income ratio. Unusual values are ratios equal to or greater than 100%. The 2004 result of 121% was principally due to the increase in the loss and loss adjusting expenses ratio from 2003 to 2004, as the company modified reserving practices and increased reserves by approximately $1.3 million for 2003 and prior years in 2004.

The company had unusual IRIS ratios for investment yield for all years of the examination period. Investment yields under 4.5% are considered unusual. From 2000 to 2003, the company increased its stock and cash position, resulting in lower investment yields. During 2004, the company changed both its investment policy and investment advisors and currently holds approximately 88% of invested assets in bonds. Although this realignment of the investment portfolio improved the company's investment yield, the investment return is still below the threshold for unusual IRIS ratios.

Ratio No. 7 evaluates the change in surplus from the prior year. An increase to surplus from the prior year of more than 50% or a decrease of more than 10% is considered an unusual value. In 2002 and 2004 surplus decreased 17% and 21%, respectively, from the prior year. The company incurred underwriting losses in both of those years and, as noted above, the investment yield was also lower than expected and could not compensate for the losses. The increase to reserves in 2004 noted previously also contributed to the underwriting loss that year.

Growth of Venture Insurance Company

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
2004	$12,621,197	$7,676,518	$4,944,678	$ (610,696)
2003	13,002,412	6,723,685	6,278,727	288,446
2002	11,848,570	6,522,794	5,325,776	(839,891)
2001	11,801,318	5,329,132	6,472,186	111,696
2000	11,595,240	5,189,880	6,405,360	1,052,396
1999	11,576,410	5,923,785	5,652,625	560,504

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
2004	$3,760,409	$3,264,703	$3,746,108	119.3%	34.1%	153.4%
2003	4,467,518	3,990,609	3,874,759	65.1	30.1	95.2
2002	4,582,217	4,123,018	3,786,700	89.3	22.0	111.3
2001	3,955,733	3,553,153	3,325,641	76.7	26.5	103.2
2000	3,217,023	2,843,980	2,767,488	49.7	26.7	76.4
1999	3,165,933	2,671,242	3,285,022	77.3	28.5	105.8

Both gross and net written premium have declined since 2002. The company discontinued writing commercial multiple peril and private passenger automobile lines after 2001 and now writes only worker’s compensation business. The company earned net income in three of the five years under examination and admitted assets have increased 9%. However, surplus has decreased 12.5% over the same period, with the largest decrease occurring from 2003 to 2004. This was primarily due to the 2004 operating results. As the company increased reserves by approximately $1.3 million in 2004, there was a 54 percentage point increase in the loss/LAE ratio from 2003 and a 21% decrease in surplus.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2004, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were four specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Holding Company Filings—It is recommended that the company file copies of all material affiliated agreements with this office for approval, prior to the effective date of the transaction, in accordance with s. 617.21, Wis. Stat.

   Action—Compliance

2. Annual Statement—It is recommended that the company report all revenues and expenses under its affiliated management services agreement in column 8 of Schedule Y – Part 2, in accordance with the Annual Statement Instructions – Property and Casualty.

   Action—Compliance

3. Disaster Recovery Plan—It is recommended that the company submit a copy of its new Disaster Recovery Plan as soon as it becomes available.

   Action—Compliance

4. Premium Accounting—It is recommended that the company follow the guidelines set forth in the NAIC Annual Statement Instructions – Property and Casualty and the NAIC Accounting Practices and Procedures Manual. Specifically, it is recommended that:

   - The company only report cash received for a policy in advance of the policy effective date as “Premiums Paid in Advance,” premiums billed in advance of the policy effective date should neither be recognized as a receivable nor as a payable.

   - The company report all premiums to be paid (and billed) in future installments as “Premiums, Agents’ Balances Booked but Deferred and Not Yet Due.”

   Action—Compliance

Summary of Current Examination Results

There were no findings in the current examination which resulted in recommendations.

Subsequent Events

On October 17, 2005, Venture entered into a Plan of Merger with Society Insurance, A Mutual Company. Under the agreement, Venture will convert from a Wisconsin stock insurance corporation to a Wisconsin mutual insurance corporation and simultaneously merge with and into Society Insurance, A Mutual Company, with the latter corporation surviving, effective at 12:01 a.m. on January 1, 2006. By virtue of the merger, Society will assume all Venture assets and liabilities, including all rights and liabilities under Venture policies currently in force and expired. The conversion of Venture from a stock into a mutual company is necessary to meet the requirements of Wisconsin law.

On October 25, 2005, the Office of the Commissioner of Insurance approved the plan of merger, including the conversion of Venture into a Wisconsin mutual insurance corporation, pursuant to ss. 611.73 and 611.75, Wis. Stat.

VIII. CONCLUSION

Venture is a Wisconsin-domiciled property and casualty company which was purchased by Society in 1993 and is 100% owned by Society. The company currently writes only worker's compensation business, having discontinued writing commercial multiple peril and private passenger automobile lines after 2001.

Since 2002 the company has experienced a decline in both written and earned premium. Although admitted assets have increased 9% during the period under examination, surplus has decreased 12.5% over the same period. A significant factor in the overall decrease to surplus was the company's strengthening of reserves in 2004, which contributed to a net loss and a decrease to surplus of 21% from 2003. There was also a major change in the company's investment portfolio, from a majority of investments in stock and cash, to investments in bonds.

The current examination noted compliance with all of the prior examination recommendations. No recommendations were made as a result of this examination, and there were no reclassifications or adjustments to surplus.

Venture entered into a Plan of Merger with Society Insurance, A Mutual Company, whereby Venture will convert from a Wisconsin stock insurance corporation to a Wisconsin mutual insurance corporation and simultaneously merge with and into Society Insurance, A Mutual Company, with the latter corporation surviving, effective at 12:01 a.m. on January 1, 2006.

IX. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Angela Graff	Insurance Financial Examiner
Glen Navis	Insurance Financial Examiner
Sheur Yang	Insurance Financial Examiner
Tim VandeHey	EDP Specialist
Jerry DeArmond	Policy and Claim Reserve Specialist

Respectfully submitted,

Jean Suchomel
Examiner-in-Charge